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UNLOCKING CLIMATE FINANCE FOR THE POSTAL SECTOR



Climate action

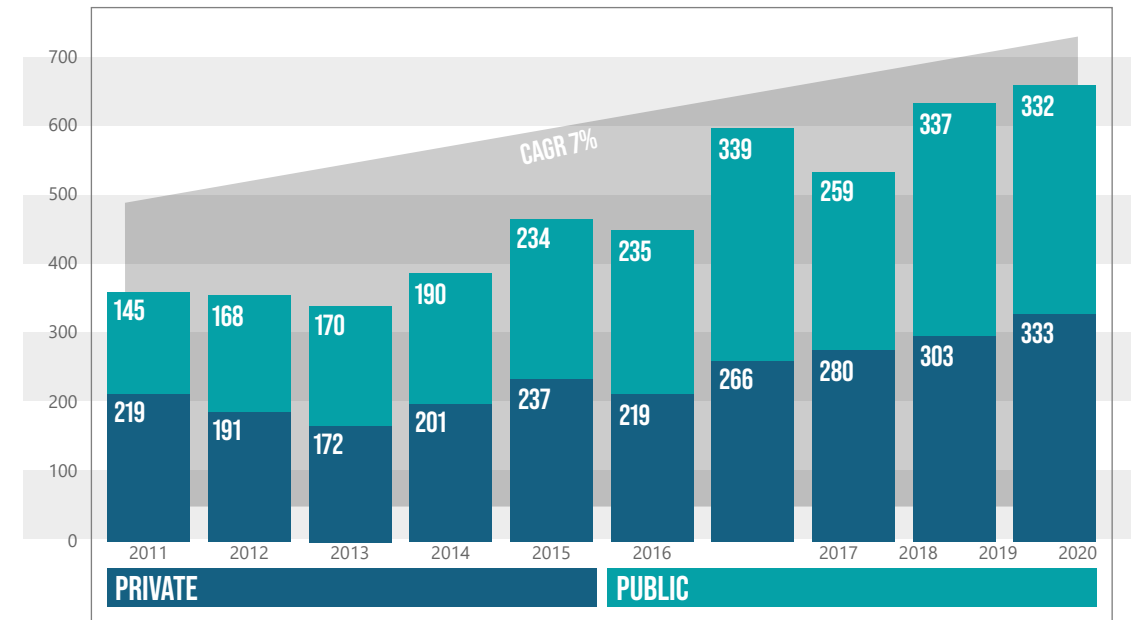
Climate action involves **mitigating** the causes of climate change, **adapting** to its impacts and building more resilient systems. Countries formalize their commitments through **nationally determined contributions (NDCs)** under the Paris Agreement, which outline their targets and strategies for greenhouse gas reduction and climate adaptation. NDCs also integrate **national adaptation plans**, helping countries address long-term adaptation needs and build systematic resilience to climate shocks.

These efforts are supported by international frameworks, institutions and policies aimed at achieving global climate goals, such as:

- the UNFCCC
- the Intergovernmental Panel on Climate Change
- the Green Climate Fund (GCF)
- the Global Environment Facility (GEF)
- various net-zero initiatives



Climate finance by public and private sources (billion USD)



Source: CPI

International efforts to address climate change

1994

United Nations Framework Convention on Climate Change (UNFCCC)

1997

Kyoto Protocol

2015

Paris Agreement

Climate finance

Financing climate action is a vital component of the global response to climate change, requiring investment from public and private sources across various sectors. Global investment in climate action totalled 850 billion USD in 2021, up from 364 billion USD in 2011, according to the Climate Policy Initiative (CPI).

Key areas of investment

- Renewable energy (solar, wind power)
- Low-carbon transportation
- Energy efficiency (buildings, industries)

Sources of climate finance

- Public sources
- Private sources
- Blended finance

Regional finance disparities

Developed countries rely primarily on domestic finance. Developing countries depend on international climate finance.

Funding challenges

Climate adaptation receives significantly less funding than mitigation, with a major focus on agriculture and water management, highlighting the need for more developed adaptation models.

Public sources

Mission-driven finance

Public finance institutions offer concessional loans at below-market rates and with longer terms, focusing on development goals, particularly for high-risk climate projects.

Key actors

Institutions such as the GCF, the GEF and Climate Investment Funds, and multilateral development banks such as the World Bank and the European Investment Bank.

Objectives

Public finance supports economically viable climate mitigation and adaptation projects that align with the objectives of the Paris Agreement and national climate frameworks.

Project evaluation process

Project evaluation typically involves multiple stages, from identification to appraisal. Approval can take up to a year, depending on the complexity of the project.

Blended finance

Public finance often paves the way for mobilizing private capital by reducing risk and showcasing the commercial viability of climate projects.

Common climate finance instruments in the public sector

Grants

Typically used for capacity building and technical assistance

Debt

Loans issued directly for large projects or via intermediaries for smaller projects

Equity

Investment in specific climate activities

Project finance

Used for large-scale infrastructure developments, often through special-purpose vehicles

Example of a project

Access to **public climate finance in developing economies** mobilizes local private finance: **Correos de Costa Rica** solar photovoltaic and electric vehicle project, funded by the Central American Bank for Economic Integration, the European Union and the German government/KfW Development Bank.



Opportunities

Access to public finance:

This is critical in developing markets, where private investment is limited, for supporting both core and innovative climate projects.

Strong implementation partner:

Owing to its scale and experience, the postal sector attracts concessional loans, grants and technical assistance from international financiers.

Aggregated projects:

Postal operators can aggregate projects to access public finance and explore public-private partnerships for a greater impact.

Climate service providers:

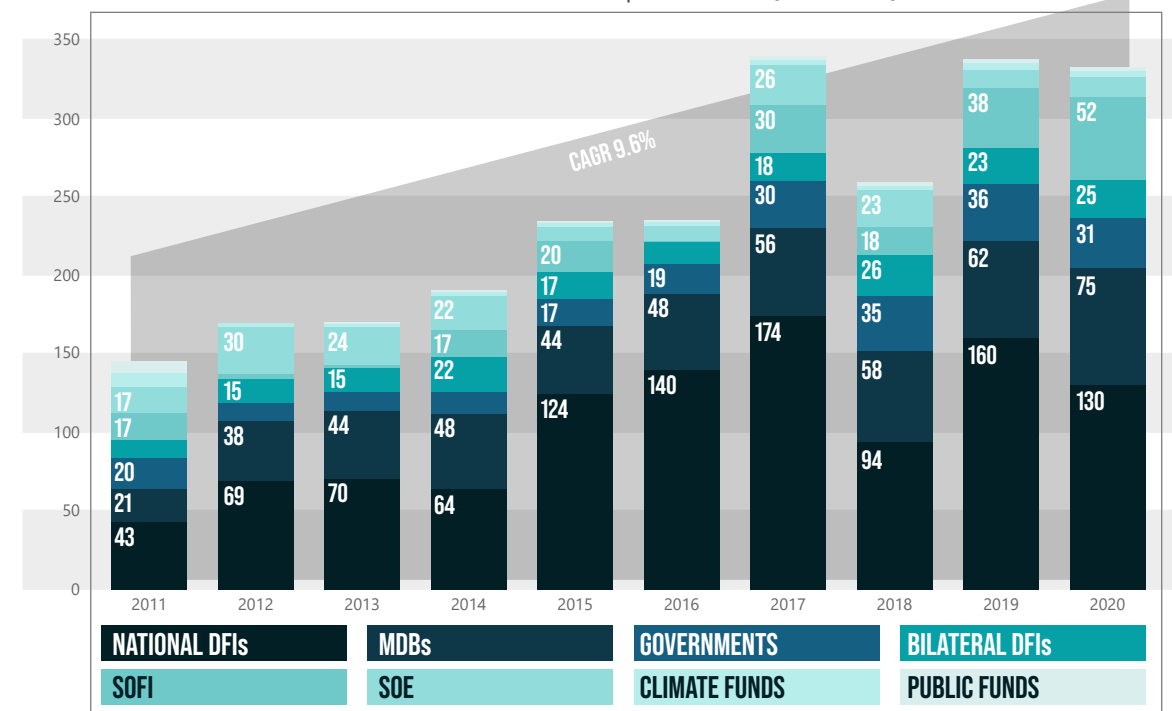
Postal operators can offer energy efficiency and green fleet services to institutions lacking technical and financial capacity.

Support for communities:

In developed markets, postal operators can pilot innovative climate products, supported by concessional funding, to benefit local communities.



Climate finance from different sources within the public sector (billion USD)



Source: CPI

Private sources

Private climate finance is provided by corporations, banks, investors and philanthropists for technically and financially feasible projects. It plays a dominant role in climate financing in developed regions like Europe and North America, aligning with national climate strategies.

Sources of finance

Corporations, commercial banks and private investors fund climate projects, primarily in developed economies.

Investment focus

Private capital targets proven, commercially viable sectors like renewable energy, low-carbon transport and energy efficiency.

Drivers for investment

Private investors are driven primarily by profit and business opportunities, e.g. mitigating climate risks to their portfolios and capitalizing on opportunities in climate-friendly sectors.

Net-zero commitments

Many financial institutions have adopted net-zero lending strategies and monitor carbon footprints using frameworks like the Partnership for Carbon Accounting Financials and the Net-Zero Banking Alliance.



Example of projects

Posten Norge first Nordic logistics green bond – 1 billion Norwegian krone (85 million EUR)

PostNL green bond – 300 million EUR

La Poste Groupe green bond – 500 million EUR

Proceeds were used to upgrade vehicle fleets and buildings to reduce fuel/energy use



Innovative use of postal infrastructure: Postal networks can serve as testing grounds for clean technologies, such as hydrogen-powered transport, attracting early-stage climate finance and promoting infrastructure innovation.

Accessing climate finance in developed markets: Postal operators can issue green bonds, leveraging sound legal and regulatory systems to secure private and commercial climate finance.

Postal sector as a financing vehicle: In regions with limited commercial climate finance, postal operators can aggregate and channel funds from developed markets, facilitating local climate projects through green bonds and other mechanisms.

Common climate finance instruments in the private sector

PROJECT FINANCE DEBT

Long-term funding for large-scale projects, using the project's cash flow and assets for repayment

CORPORATE LENDING

Borrowing by businesses with a track record of financing their investments

RETAIL FINANCE LENDING

Borrowing by individuals or households for personal needs (e.g. household energy equipment)

LEASING FINANCE

Use of an asset for a specified period in exchange for periodic payments to the owner

GREEN LOANS

Loans with favourable terms (e.g. lower interest rates) for climate projects, supported by concessional funding or regulatory frameworks

GREEN BONDS

Bonds issued to fund climate projects that meet specific environmental criteria (taxonomy)

Types of carbon market

Compliance markets

Mandatory systems where emission caps are enforced by policies or regulations

Emission permit trading across sectors and borders

Penalties for non-compliance

Voluntary markets

Voluntary trading of carbon credits by companies to meet sustainability goals and demonstrate corporate responsibility

Flexible but challenging in terms of maintaining transparency and credit quality

Carbon markets

Carbon markets assign a monetary value to carbon dioxide (CO₂) emissions, incentivizing companies and countries to reduce greenhouse gas emissions through trading mechanisms. These markets play an important role in aligning environmental goals, while addressing economic interests by promoting cleaner technologies and sustainable practices.

Volume and value of major global compliance markets, 2022

Market	Volume (Mt)	Value (billion EUR)
European Union Emissions Trading System	9,277	751.5
United Kingdom Emissions Trading Scheme	512	46.6
Western Climate Initiative	2,014	55.6
Regional Greenhouse Gas Initiative	491	7.1
China National Carbon Emission Trading System	85	0.5
Korea Emissions Trading System	39	0.6

Source: Refinitiv, 2023

A sectoral example

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is the first global market-based initiative aimed at reducing emissions from international aviation, offering a standardized approach to carbon offsetting while respecting the diverse capabilities of participating states.

Opportunities



Carbon market relevance: The postal sector, with its global operations, can benefit from carbon markets by reducing its footprint and monetizing carbon credits through mitigation and adaptation activities.

Dedicated carbon trading scheme: The postal sector could explore carbon trading schemes, leveraging country arrangements under Article 6.2 of the Paris Agreement.

Feasibility assessment: A comprehensive assessment is needed to evaluate legal, regulatory, operational and financial aspects.

Global initiative

CORSIA harmonizes international aviation emissions reduction, involving 129 countries as of 2024.

Phased implementation

The scheme is being implemented in three phases, with the mandatory phase starting in 2027.

Impact

CORSIA will mitigate an estimated 1.3 to 1.7 billion tonnes of CO₂ between 2024 and 2035.

Mechanism

Airlines offset emissions exceeding 2020 levels by purchasing carbon credits and adopting sustainable practices.

Aviation Carbon Exchange (ACE)

ACE is a platform for buying carbon credits, supported by a monitoring, reporting and verification system.



Blended finance: a recommendation

- Blended finance is a combination of private and public capital.
- Grants, subsidies and commercial financing are blended into a dedicated financing structure.
- Guarantees, concessional loans and grants reduce perceived risk and lower costs for private investors.
- In 2023, blended finance for climate action (mainly climate mitigation) totalled 11.6 billion USD.

Conclusion and ways forward

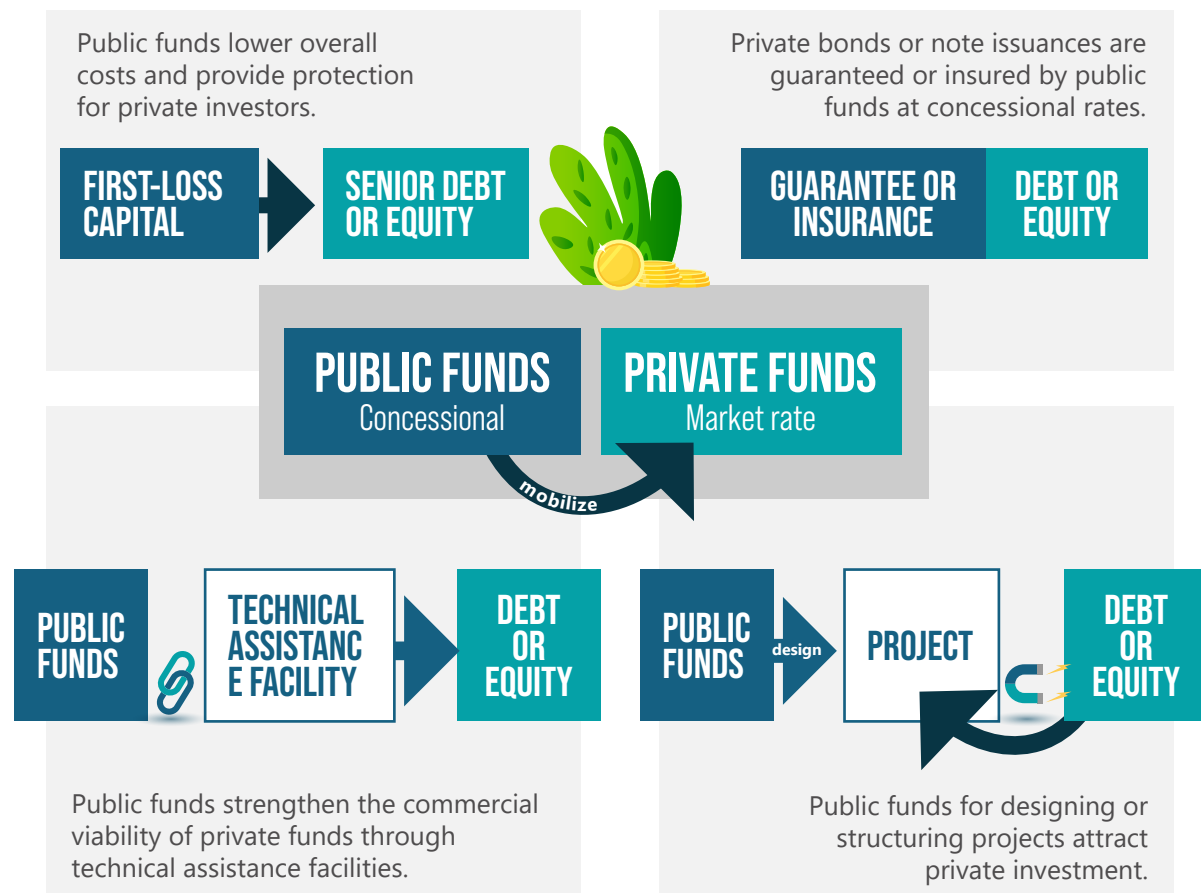
The postal sector has a unique opportunity to advance global climate goals by leveraging its vast infrastructure. To maximize impact, the sector should:

Collaborate broadly: Engage with global climate, finance and industry organizations to standardize solutions.

Standardize and scale: Develop replicable solutions to decarbonize operations across regions.

Share knowledge: Leverage similar operational needs across borders to promote scalable climate solutions and achieve climate finance goals.

Typical blended finance mechanisms and structures



Prerequisites for designated operators to seize opportunities

Document operational data

Collect detailed data on fleet size, age, fuel use and building energy performance to assess the technical and financial feasibility of climate initiatives.

Evaluate renewable energy potential

Assess site availability for renewable energy generation, considering local regulations and economic viability of grid versus self-consumption.

Calculate financial viability

Estimate capital expenditure and calculate payback periods to ensure that projects are financially feasible and attractive for investors.

Engage with technology suppliers

Engage with energy service companies and technology providers to carry out energy audits and explore other technical options and their financial impacts.

Develop business plans, feasibility studies or investment memoranda

These are standard documents in the financial space.

Opportunities for the postal sector

NEW REVENUE STREAMS

EXISTING OPERATIONS

CARBON FINANCE

INITIATIVES

Circular economy
Sustainable e-commerce
Climate action services
Financial inclusion projects that align with climate objectives

Improvement of energy efficiency in buildings
Low-carbon transport

Acquisition of carbon credits through footprint reduction
Creation of carbon trading schemes

TYPES OF FINANCING

Own capital and external financing

Grants, debt, leasing or energy performance contracts

Compliance and voluntary carbon markets

SOURCES OF FINANCING

Donors and governments

Commercial and development banks, technology suppliers